

Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTIA 01162 082131Z

71

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 L-03 TAR-02 DODE-00 EB-11

NSAE-00 RSC-01 TRSE-00 AEC-11 CIAE-00 COME-00 XMB-07

OPIC-12 CIEP-02 OMB-01 DRC-01 /092 W

----- 041298

P 082058Z MAR 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 7722

LIMITED OFFICIAL USE SANTIAGO 1162

EO 11652: N/A

TAGS: EMIN, EFIN, CI, US

SUBJ: US FERROUS SCRAP EXPORTS

REF: STATE 35159

1. SUMMARY: CHILE MUST IMPORT APPROXIMATELY 15,000 MT OF FERROUS SCRAP PER QUARTER IN CY '74 IF IT IS TO MAXIMIZE ITS COPPER OUTPUT AND FOREIGN EXCHANGE EARNINGS. US IS ONLY LIKELY SOURCE OF THIS SCRAP. EMBASSY STRONGLY RECOMMENDS THAT EXPORT LICENSES BE GRANTED BY US TO COVER CHILE'S BASIC NEEDS. FAILURE TO DO SO WOULD CONTRIBUTE SIGNIFICANTLY TO SERIOUS GOC BALANCE OF PAYMENTS PROBLEM WITH ADVERSE IMPACT ON ITS ECONOMIC RECOVERY PROGRAM. IN ADDITION, A US-OWNED MINE (SAGASCA), WHICH IS TOTALLY DEPENDENT ON SCRAP FOR ITS OPERATCON, WOULD BE FORCED TO SHUT DOWN. END SUMMARY

2. EMBASSY HAS EXPLORED WITH SEVERAL RELIABLE SOURCES QUESTIONS RAISED IN REFTTEL. PICTURE WHICH EMERGES AS TO WHY CHILE HAS GREATLY INCREASED FERROUS SCRAP IMPORT NEEDS IS AS FOLLOWS:

(A) MAJOR USER OF SCRAP FOR COPPER REFINING IS SAGASCA, WHICH ONLY BEGAN PRODUCTION IN 1972 AND BECAME FULLY OPERATIONAL IN 1973.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTIA 01162 082131Z

(B) UNTIL RECENT MONTHS SCRAP FOR COPPER REFINING HAS BEEN OBTAINED PRIMARILY BY SCAVAGING ABANDONED NITRATE MINES. THIS SOURCE IS APPARENTLY NOW DEPLETED.

(C) DURING TIMES OF HIGH COPPER PRICES MINES WHICH ORDINARILY DO NOT USE SCRAP IN REFINING PROCESS FIND IT PROFITABLE TO DO SO TO PRECIPITATE LAST 10 PERCENT OR SO OF COPPER CONTENT FROM ACID SOLUTION. THIS EXPLAINS REQUIREMENTS FOR MANTOS BLANCOS AND CHUQUICAMATA.

(D) ENAMI HAS INCREASED PROCESSING OF ORES WHICH REQUIRE USE OF FERROUS SCRAP.

3. WE ARE INFORMED THAT ENAMI HAS BEEN IMPORTING FERROUS SCRAP FROM BRITAIN AND THAT THIS SOURCE HAS DRIED UP. HOWEVER, CHILEAN CUSTOMS DATA SHOW ONLY MINIMUM IMPORTS OF SCRAP FROM ALL SOURCES AS FOLLOWS:

1973 UNAVAILABLE
1972 9832 MT
1971 6005 MT
1970 LESS THAN 1 MT
1969 3719 MT
1968 LESS THAN 1 MT
1967 LESS THAN 1 MT

VIRTUALLY ALL THIS SCRAP CAME FROM THE US EXCEPT FOR 3710 MT FROM THE UK.

4. GOC REQUEST AS REPORTED REFTTEL IS APPROXIMATELY EVENLY SPLIT BETWEEN REQUIREMENTS FOR COPPER MINING AND GOVERNMENT-OWNED STEEL FACILITY (CAP). IN EMBASSY'S JUDGMENT IT IS ESSENTIALLY THAT SUFFICIENT SCRAP FOR COPPER REFINING BE AVAILABLE TO GOC TO PREVENT PRODUCTION CUTBACKS. WE ARE TOLD THAT APPROXIMATELY 1.5 MT OF SCRAP IS NEEDED TO PRODUCE 1 MT OF FINE COPPER EQUIVALENT. WE ESTIMATE CHILE'S MINIMUM SCRAP REQUIREMENT FOR COPPER REFINING IS ANNUAL 60,000 MT, THIS WOULD PRODUCE 40,000 MT OF FINE COPPER EQUIVALENT. AT PREVAILING WORLD PRICES THIS COPPER WOULD BRING APPROX-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SANTIAGO 01162 082131Z

IMATELY \$88 MILLION IN FOREIGN EXCHANGE EARNINGS TO CHILE.

5. SHORTFALL IN CHILEAN COPPER PRODUCTION BECAUSE OF NON-AVAILABILITY FERROUS SCRAP WOULD BE SERIOUS BLOW TO CHILE'S BALANCE OF PAYMENTS (ALREADY IN HEAVY DEFICIT) AND TO GOC ECONOMIC RECOVERY PLAN. IT COULD RESULT IN ADDITIONAL CALLS UPON US AND INTERNATIONAL LENDING INSTITUTIONS FOR ASSISTANCE.

6. ACTION RECOMMENDED: EMBASSY URGES IN STRONGEST POSSIBLE TERMS THAT CHILE BE GIVEN SPECIAL 15,000 MT PER QUARTER ALLOCATION FROM US FERROUS SCRAP SUPPLIES. THIS ALLOCATION SHOULD BE MADE WITH THE EXPLICIT GOC COMMITMENT THAT IT WILL BE USED EXCLUSIVELY FOR COPPER REFINING. EMBASSY DOES NOT CONSIDER CAP TO HAVE HIGH PRIORITY. GOC SHOULD ALSO BE REQUIRED TO MAKE COMMITMENT TO ALLOCATE SUFFICIENT SCRAP TO SAGASCA TO MEET ITS BASIC NEEDS WHICH ARE ESTIMATED AT NO LESS THAN 1,500 MT PER MONTH THROUGH JUNE AND 3,000 MT PER MONTH THEREAFTER.

7. ALTERNATIVE TO ABOVE, SUGGESTED BY CONTINENTAL COPPER AND STEEL PRESIDENT MORTIMER GORDON, WOULD BE TO REMOVE SHREDDED AUTOMOBILE SCRAP FROM EXPORT CONTROL. GORDON SAYS HE CAN PROVE THAT THIS TYPE OF SCRAP IS PRESENTLY ABUNDANT IN US AND HAS SUPPLIER EAGER TO SELL.

8. GORDON SAYS SAGASCA WOULD BE DELIGHTED TO GET SCRAP FROM JAPAN IF USG COULD CONVINCE GOJ TO GIVE UP PART OF ITS SCRAP QUOTA IN RETURN FOR PROMISES OF COPPER DELIVERIES FROM SAGASCA.

9. EMBASSY HAS ALSO PASSED QUESTIONS POSED IN REFTEL TO CHILEAN FOREIGN MINISTRY WITH REQUEST THAT THEY SUPPLY ANSWERS TO DEPARTMENT THROUGH CHILEAN EMBASSY WASHINGTON.

10. PLEASE ADVISE US AS TO OUTLOOK.
POPPER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: METALS, EXPORT LICENSES, TRADE DATA, IMPORT DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 08 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANTIA01162
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740357/aaaacbfq.tel
Line Count: 142
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 35159
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2002 by kelleyw0>; APPROVED <11-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US FERROUS SCRAP EXPORTS
TAGS: EMIN, EFIN, CI, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005